

FOR CONSIDERATION

June 16, 2005

TO: The Directors

FROM: Charles A. Gargano

SUBJECT: New York (New York County) – Seventh Regiment Armory  
Civic Project

REQUEST FOR: Civic Project Findings; Authorization to Adopt the Proposed  
General Project Plan; Authorization to Hold a Public Hearing(s)  
Pursuant to the UDC Act and Other Applicable Laws

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General Project Plan

I. Project Summary

Lessee: Seventh Regiment Armory Conservancy, Inc.  
230 Park Avenue  
New York, New York 10021  
Wade F.B. Thompson, Chairman  
212-249-5517

Project Location: Seventh Regiment Armory  
643 Park Avenue  
New York, NY 10021

Proposed Project: Restoration and renovation of the Seventh Regiment Armory for  
use as a cultural arts center for the visual and performing arts. The  
Seventh Regiment Armory Conservancy will lease the Seventh  
Regiment Armory for 99 years from the State of New York acting  
through ESDC.

Project Team: Project Management: William Sherman  
Carol Berens  
Legal: Lawrence Gerson  
Environmental: Rachel Shatz

Project Completion: Initial renovation to be completed within 10 years of lease-signing; lease to 2104

## II. Project Description

The Seventh Regiment Armory Civic Project (“Project”) is the restoration and renovation of the historic Seventh Regiment Armory (the “Armory”) into a cultural arts center for the visual and performing arts. The State of New York (the “State”), acting through the New York State Urban Development Corporation d/b/a Empire State Development Corporation (“ESDC”), will lease the Armory for 99 years to the not-for-profit Seventh Regiment Armory Conservancy, Inc. (the “Conservancy”) which will renovate and maintain the Armory and operate the cultural arts center.

### A. Background—Armory Significance and History

The Armory, located on the full city-block bounded by 66<sup>th</sup> and 67<sup>th</sup> Streets and Lexington and Park Avenues on the Upper East Side of Manhattan, New York, was constructed between 1877 and 1881 as the home of the Seventh Regiment (the “Regiment”), the largest and one of the most prestigious volunteer military organizations of the nineteenth century. The building, designed by Charles W. Clinton, a member of the Regiment, is now a National Historic Landmark, a New York City Landmark, and is listed on the State and National Registers of Historic Places.

Since 1942, pursuant to New York Military Law, the Armory has been controlled and maintained by the Adjutant General of the State of New York, who is also the Commissioner of the Division of Military and Naval Affairs (“DMNA”). (Before World War II, New York City was responsible for the maintenance of all the armories located within its boundaries.) Title to the building itself is vested in The Board of Officers of the Seventh Regiment (currently the 107<sup>th</sup> Corps Support Group of the New York Army National Guard). The Governor is the Commander-in-Chief of the New York National Guard, of which the New York Army National Guard is a service branch. The Armory was built upon land donated by the City of New York (“City”), and the land continues to be leased from the City in accordance with a 1877 Deed of Lease which requires the building to serve a “military purpose.”

A particularly American building type, armories evolved during the nineteenth century in response to political and social circumstances. An armory is the military headquarters building and drill center used originally by the volunteer regiments maintained by each state and subsequently by the National Guard. (The National Defense Act of 1916 federalized the state militias as reserve organizations for the U.S. Army.) In New York, many of these structures, including the Armory, were built in response to social and labor unrest sparked by the Civil War, the Panic of 1873 and subsequent depression as well as the influx of immigrants.

In addition to providing space for the drilling and training of an entire regiment, armory buildings housed offices, meeting rooms, rifle ranges, and ancillary spaces. Moreover, in order to attract volunteers, armories provided athletic facilities and social entertainment and augmented maintenance budgets through rentals for public gatherings. Consequently, the Armory became a significant cultural destination and now hosts internationally renowned antiques shows, art fairs and other varied community and arts uses. Since 1981, State Emergency regulations allow homeless facilities to operate in armories. A women's shelter now run by the Lenox Hill Neighborhood House occupies two floors of the Armory.

The Armory is the most historically and socially significant as well as architecturally influential armory in New York State and probably the United States. The Armory is composed of two structures—a multistoried building, or headhouse, containing administrative and social areas, and a one-story drill shed for military training. Its creative plan and medieval exterior design provided inspiration for New York State's and the nation's subsequent armories. In addition, according to the New York City Landmarks Preservation Commission, "Together with the Drill Room,...the interiors of the Seventh Regiment Armory represent the height of American interior design within a single building, for a 'single' (in this case, military) client, during a period of fifty years."

Much of the Armory remains as originally designed. Despite several alterations, the significance of the interior of the building cannot be overstated. The 200 by 300 feet Drill Room was, at the time of completion, one of the largest unobstructed interiors in New York City. It is thought to be the oldest extant "balloon shed" (a barrel vaulted-shaped roof supported on visible trusses or ribs) in America.

The headhouse contains important late nineteenth-century period rooms designed and decorated by some of New York's, and therefore America's, most illustrious firms. Design firms such as the Herter Brothers, Louis C. Tiffany and Associated Artists with Stanford White, Pottier & Stymus, Alexander Roux & Co., and George C. Flint & Co were hired to lavishly decorate the entrance, central stair and corridors, reception rooms and the ten company rooms.

#### B. Background—Project

Today, the Armory suffers from decades of neglect and minimal maintenance. The roof, masonry walls and windows leak, ceilings are falling, plaster is crumbling, building systems are inadequate and HVAC systems are non-existent. The World Monuments Fund put the building on its Watch List of the world's 100 most endangered sites in 1999. DMNA, which does not have the financial means nor mission to do more than necessary repairs and maintenance, requested ESDC's help to explore ways to raise funds to preserve and restore this historically and culturally important Armory and pay for repairs and on-going maintenance.



In 1998, ESDC issued a request for proposals (“RFP”) for a consultant to analyze existing conditions, recommend and evaluate physical improvements and uses, help develop a public/private partnership mechanism to finance capital improvements and operations and write and evaluate an RFP for future developer(s)/operator(s). In August 1999, ESDC Directors approved a \$325,000 contract for E & Y Kenneth Leventhal Real Estate Group to provide such consulting services.

An RFP for a developer/operator of the Armory was issued in June 2000 and extensively advertised. Despite a broad outreach effort, only one bid, that from the Conservancy, was received on the November 15, 2000 due date. On September 9, 2001, after months of negotiation, ESDC issued a letter stating that the Conservancy was the Preferred Proposer for the restoration of the Armory. Emergency events following the terrorist attacks on September 11, 2001 stalled progress on the Project for a while. During subsequent negotiations, serious legal issues relating to military law, ownership of the building and state contracting issues arose. In November 2003, the Office of the Attorney General opined that an amendment to the NYS Military Law was required in order to lease the Armory to a non-military entity.

The Conservancy was established in 1997 to find ways to restore the Armory and return it to active public life. The Conservancy has three objectives: to restore the Armory through a public/private partnership with the State of New York and to operate it as a not-for-profit cultural arts center to develop and implement a self-sustaining plans for the Armory’s restoration; and to raise the funds necessary to restore the Armory. The Board of the Conservancy includes a number of prominent New Yorkers who have been active in public redevelopment, historic preservation, private philanthropy and the cultural life of New York. The Conservancy is duly incorporated by New York State and is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

### C. Background—Legislation

On August 12, 2004 the NYS Legislature enacted Chapter 482 of the Laws of the State of New York to amend the Military Law to authorize ESDC to act on behalf of the State of New York to lease of the Armory and undertake related actions. The Governor signed this bill into law on September 21, 2004. The legislation recognizes the Armory’s historic importance as a cultural and artistic venue and allows a non-governmental entity to renovate the building and continue its cultural role.

Among other things, this legislation asserts State control of the Armory to preclude triggering reversion language in the ground lease. The legislation clarifies that the State is the lawful successor of the original City leases and owns the building and everything affixed within. In addition, the Armory remains available for military and emergency uses. Space retention for DMNA and the City shelter is mandated. (Costs for renovation for the City shelter are the responsibility of the City of New York.) Responsibility for day-to-day operations of the building, programming and running of

cultural/community uses, etc. to a non-governmental entity is permitted and capital repairs and maintenance expenses are specifically excluded from State contracting procedures and Military Law.

D. The Project

The proposed Project will be implemented by the State, acting through ESDC, leasing the Armory to the Conservancy for a 99-year term. The lease will set out the following goals (the "Project Goals"):

1. To restore the historic interiors and exterior of the Seventh Regiment Armory in accordance with the standards of the Secretary of the Interior
2. To maintain the restored interiors and exteriors at the standards appropriate to an historic structure and landmark of this importance
3. To create and operate, through a not-for-profit institution, a unique destination for the public that offers the highest quality cultural programming
4. To serve the not-for-profit visual and/or performing arts, by promoting artistic expression and creativity, adding diversity and richness to New York's cultural base and strengthening New York's role as the cultural capital of the country
5. To generate activity in the Armory as close to 330 days a years as possible
6. To offer interpretive and/or educational programs related to the aesthetic and military history of the building to the greatest extent practicable
7. To implement a model of cross-subsidy to support the not-for-profit cultural programming and the on-going care and maintenance of the building through revenue-producing ancillary activities

The Armory intends to be a cultural institution, unique in both the magnificence of its rooms and the flexibility and accessibility of its programming. It will offer dance, music and visual arts.

The scope of the renovation includes the restoration and renovation of the Armory's interiors and exteriors, the installation of new and upgraded mechanical, electrical and plumbing systems and new circulation systems. Work on the historic elements of the Armory will be done in accordance with the Secretary of the Interior's Standards and through a consultative process with the State Historic Preservation Office. The leased premises shall be brought into compliance with current codes while being sensitive to the historic nature of the building. Complete scope of work is attached.

A five-year \$30 million grant from the Port Authority Bank funds to be administered by ESDC has been allocated to the Project. The authorization of the grant and the grant disbursement terms will be brought before the ESDC Directors when the

terms have been fully negotiated.

### III. Proposed Lease Terms

The mechanism for implementing the Project will be a 99-year lease (the "Lease") between the Conservancy and the State acting through ESDC. A Project Term Sheet has been negotiated between ESDC and the Conservancy and has been agreed to by the Governor's Office, the Office of General Services ("OGS") and DMNA. Highlights of the Lease are:

1. **Goals:** The Armory shall be operated as a not-for-profit cultural center for the visual and performing arts as well as for-profit activities to support the Conservancy's not-for-profit activities that promote the Project Goals.
2. **Condition of Premises:** The Conservancy shall take the Armory in its "as is" physical condition on the Lease commencement date.
3. **Rental:** Rent, commencing on the 7<sup>th</sup> anniversary of the "full operation date," shall be 20% of gross revenues from commercial operations of Armory above a hurdle of \$9,000,000 as escalated annually by CPI.
4. **Construction Obligations:** Construction shall begin within four (4) years of the Lease commencement date and shall be completed no later than the tenth (10<sup>th</sup>) anniversary of the Lease commencement date. Prior to commencing construction, the Conservancy shall demonstrate that all funding necessary to complete the work will be available.
5. **Repairs and Maintenance:** The State shall continue to be responsible for funding emergency repairs of structural elements, roof and major building systems until such items are replaced or rehabilitated by the Conservancy. The State shall not be obligated to repair any damage caused by the Conservancy. The State's obligation to fund emergency repairs shall cease upon the Substantial Completion of the Conservancy's construction obligations.
6. **Indemnification:** The Conservancy shall indemnify, defend and hold ESDC, DMNA and the State harmless from any loss or liability arising out of the Project, its occupancy of the Armory, or any act or omission related thereto.
7. **ESDC Project Fee:** ESDC shall receive a \$100,000 annual administrative fee, until the earlier of (i) the substantial completion of the work or (ii) the tenth Lease Year. Conservancy will pay all outside legal costs incurred by ESDC. ESDC shall not be required to expend any non-appropriated funds on the Project.



#### IV. Civic Project Findings

Based on the foregoing and the following information, the Directors are requested to make the Civic Project findings require by Section 10 (d) of the UDC Act:

1. There exists in the area in which the Project is to be located a need for the educational, cultural, recreational, community, municipal, public service or other civic facility to be included in the Project;

In enacting the Armory legislation, the State Legislature found that the lease, renovation and management of the Armory are required in order to effect its modernization and use for cultural and civic purposes.

2. That the Project shall consist of a building or buildings or other facilities which are suitable for educational, cultural, recreational, community, municipal, public service or other civic purposes;

The Project recognizes the value of the Armory as an architectural, cultural and historical resource. The Project will permit more public access which has been limited because of dangerous conditions and for military security reasons.

3. Such Project will be leased to or owned by the State or an agency or instrumentality thereof, a municipality of an agency or instrumentality thereof, a public corporation, or any other entity which is carrying out a community, municipal, public service or other civic purpose, and that adequate provision has been made for the payment of the cost of acquisition, construction, operation, maintenance and upkeep of the Project; and

The Armory is the property of the State of New York and the land on which it is located is the property of the City of New York. The titles to the building and the land will not be altered by leasing the Armory.

Prior to commencement of the Initial Construction Work, as defined in the proposed Term Sheet, the Conservancy will present to ESDC a financial plan which demonstrates that the funding necessary to complete the Initial Construction Work shall be raised in a timely manner to allow for the diligent and continuous performance and completion of the Initial Construction Work.

4. That the plans and specifications for the Project will assure adequate light, air, sanitation, and fire protection.

The Project will bring a currently non-complying building with many standing violations into accordance with the applicable codes.

#### Relocation

There are no families currently located on the project site. The New York City women's homeless shelter and spaces will be relocated within the Armory. Accordingly, the relocation requirements of Section 10(g) of the UDC Act are not applicable.

V. Environmental Review

ESDC, as lead agency, is conducting an environmental review for the Project pursuant to the State Environmental Quality Review Act (SEQRA). An Environmental Assessment will be made available for public review during the review and comment period for the GPP. The Directors will be requested to make a Determination of Significance prior to or at the time the lease will be authorized.

VI. Affirmative Action

ESD's Non-Discrimination and Affirmative Action Program will apply to this Project. The Conservancy shall use its best efforts to achieve not less than 20% Minority/Women-Owned Business Enterprise and an overall goal of 25% Minority and Female Workforce participation on this Project.

VII. Additional Submissions to Directors

Resolutions



June 16, 2005

NEW YORK (NEW YORK COUNTY) – Seventh Regiment Armory Civic  
Project -- Civic Project Findings Pursuant to Section 10 of the UDC Act

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RESOLVED, that on the basis of the materials presented to this meeting, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Seventh Regiment Armory Civic Project (the "Project"), the Corporation hereby finds pursuant to Section 10 of the New York State Urban Development Corporation Act of 1968, as amended (the "Act"):

- (1) There exists in the area in which the Project is to be located a need for the educational, cultural, recreational, community, municipal, public service or other civic facility to be included in the Project;
- (2) That the Project shall consist of a building or buildings or other facilities which are suitable for educational, cultural, recreational, community, municipal, public service or other civic purposes;
- (3) Such Project will be leased to or owned by the State or an agency or instrumentality thereof, a municipality or an agency or instrumentality thereof, a public corporation, or any other entity which is carrying out a community, municipal, public service or other civic purpose, and that adequate provision has been made for the payment of the cost of acquisition, construction, operation, maintenance and upkeep of the Project; and
- (4) That the plans and specifications for the Project will assure adequate light, air, sanitation, and fire protection.

and be it further

RESOLVED, that on the basis of the materials presented to his meeting relating to the Project indicating that there are no families of individuals to be displaced from the Project area, the Corporation hereby finds that the requirements of Section 10(g) of the Act are satisfied.

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June 16, 2005

NEW YORK (NEW YORK COUNTY)--Authorization to Adopt the Proposed  
General Project Plan; Authorization to Hold a Public Hearing(s) Pursuant to the  
UDC Act and Other Applicable Laws

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RESOLVED, that the Corporation does hereby approve, for the purposes of the public hearing required by Section 16(2) of the New York State Urban Development Corporation Act of 1968, as amended, with respect to the Seventh Regiment Armory Civic Project (the "Project"), the General Project Plan (the "Plan") for the Project submitted to this meeting, together with such changes therein as the President and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, a copy of which Plan, together with such changes, is hereby ordered filed with the records of the Corporation; and be it further

RESOLVED, that the President and Chief Executive Officer or his designee(s) be, and any of the same is, hereby authorized to take such action as he or she deems necessary in the connection with the holding of such hearing.

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